

MEGA CAPITAL PLACES 2ND IN THE BRW FAST 100

October 13-19, 2005



Names: Michael Gottlieb, 31; Gavin Donner, 32
Growth: 485%
Growth tip: You can be either the best or the biggest. We decided to be the best.

Michael Gottlieb and his friend of 15 years, Gavin Donner, started their insurance broking business, Mega Capital, in 2001, when the insurance market was in a tailspin after the collapse of HIH Insurance and the September 11, 2001 terrorist attacks. Gottlieb was working as a management consultant and Donner as an actuary when they came across a venture capital firm that was finding it impossible to secure directors' and professional indemnity insurance for the start-up technology companies it was investing in.

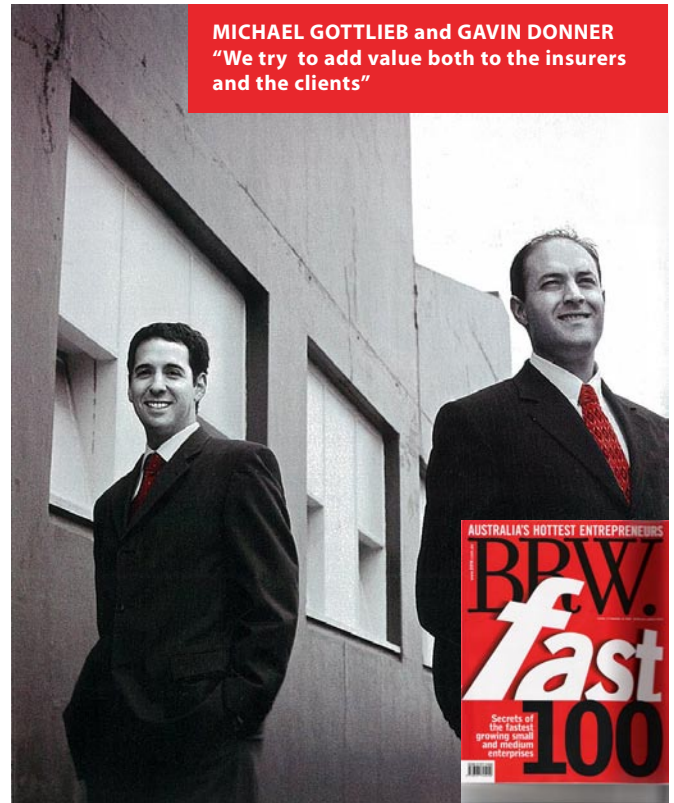
They fleshed out the idea for a brokerage business specialising in this complex and expensive form of insurance, and soon realised the problem extended beyond the venture capital sector and across most professions.

But at a time when most insurance brokers could not find indemnity insurance for their clients at any price, Mega Capital was able to combine sheer persistence and a deep understanding of the clients' and the insurers' needs to put together policies that worked for both parties. Gottlieb says: "We try to add value both to the insurers and the clients." Such a simple idea has been a raging success in a sector where, according to Gottlieb, many incumbent brokers do little more than fax forms off to insurance companies and report back to clients with quotes.

Mega Capital has expanded from writing \$250,000 worth of insurance in 2001-02 to almost \$10 million in 2004-05, achieving an average annual turnover growth rate in three years of 485%. Its commission revenue is about 15% of total turnover.

"[The business] is definitely bigger than we had anticipated," Gottlieb says. "But every time you hit a milestone your benchmark changes, so now we are not growing as fast as I would like."

Mega Capital's brokers are mostly former professionals in the sectors they service. (Some other brokerages have a more superficial understanding of the professions they work with.) Gottlieb says the skills shortage is hurting his business, and that his biggest problem is finding



MICHAEL GOTTLIEB and GAVIN DONNER
"We try to add value both to the insurers and the clients"

people with advanced skills and professional backgrounds willing to change careers and work in insurance broking.

Although the market for professional indemnity insurance is beginning to normalise and more brokers are able to find cover for more clients, Mega Capital expects to be able to continue expanding by about 25% this year just with its existing services.

But it has a range of projects under way that Gottlieb hopes can help the business double in size in the next 18 months. For example, it is investigating setting up a new division to offer a specialised service in general insurance.

But Gottlieb says the new division would have to be managed carefully to retain the company's reputation as a specialist broker. "As soon as you become a generalist you lose your purpose and you become the same as everyone else.

Craig Roberts